



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2016**

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2016**



Adam Marshall – Director General, British Chambers of Commerce



Our latest Quarterly International Trade Outlook comes four months since the UK's historic vote to leave the European Union, and it suggests that exports growth diverged among sectoral lines, with manufacturers outperforming the service sector.

While the depreciation in the pound has benefited some manufacturers when it comes to exporting, the services sector continues to face challenges, with the balance of businesses in the sector expecting an improvement in sales and orders falling to its lowest level in five years.

It is, however, important to note that while the UK's economic growth may slow further, we are unlikely to enter a recession.

To fire up the animal spirits of our exporters, and boost business confidence, the Chancellor should use the Autumn Statement to improve direct financial support for firms looking to access new markets without bureaucracy or delay. Enabling businesses to attend trade missions, trade fairs, commission market research or make themselves

export ready would be a shot in the arm for our trade performance at a time of uncertainty. Maintaining face-to-face support for exporters is also crucial, as so many business people need advice, encouragement and assistance easily available at local level.

At the British Chambers of Commerce we are doing our bit to ensure that UK businesses have access to practical export help and advice, by continuing to expand our Global Business Network. Whether first time exporters, or more seasoned firms looking to break into new markets, the network can put businesses in every region of the UK directly in touch with experts on the ground in overseas markets through their local Chamber, providing a direct route into new markets and demystifying the export process.

Phil Couchman – CEO, DHL Express UK & Ireland



Ahead of the referendum it was widely anticipated that the UK would experience a post-Brexit slump. However, this Quarterly International Trade Outlook demonstrates the resilience of manufacturing exporters as they defy predictions with an increased number reporting export sales and orders to be on the up.

As 23 June approached, there was an underlying sense of uncertainty on the part of British businesses. Despite a strong Trade Confidence Index compared to last year, what this latest report does show is that feeling still exists, even amongst the manufacturing exporters currently enjoying the UK's increased global competitiveness as a result of the fall in the value of the pound.

Growth in the services sector has slowed and levels of confidence in what the next 12 months hold have fallen, amongst both services and manufacturers, and whilst everyone faces

uncertainty about what a post-Brexit Britain will look like, businesses are now seeking advice and reassurance about getting their goods and services overseas.

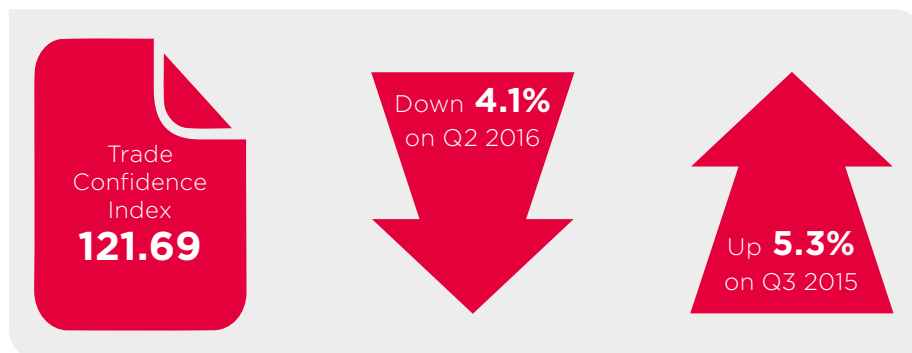
At DHL we will continue to work closely with Government to ensure that international trade remains accessible and we will continue to leverage our strength in navigating complex customs processes to encourage the UK's exporters to remain confident in their ability to grow and succeed overseas.

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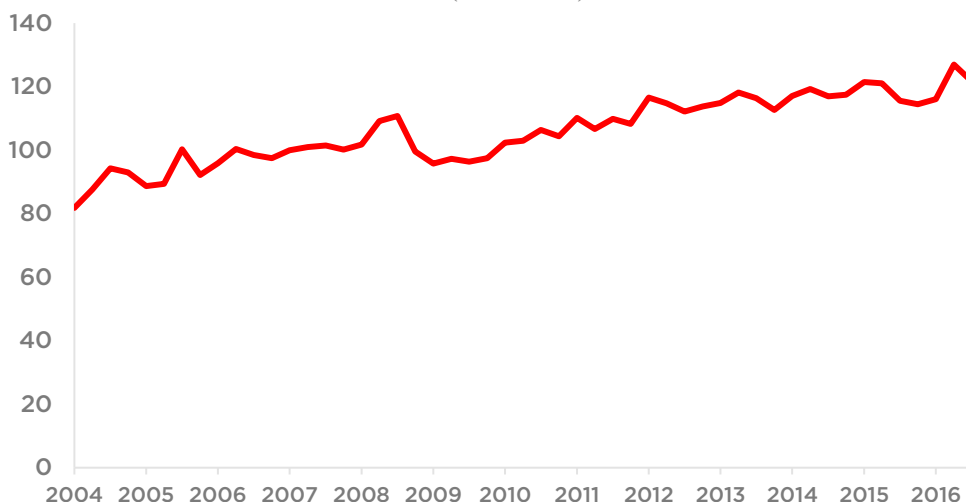
DHL/BCC Trade Confidence Index

The DHL/BCC Trade Confidence Index (TCI)* is a measure of the UK's exporting health. By analysing trends in the volume of trade documentation issued by accredited Chambers of Commerce, the TCI provides insight into the UK's trade with countries outside of the European Union, particularly high growth markets such as Asia and Africa.



The Trade Confidence Index currently stands at 121.69. This represents a decrease of 4.1% on Q2 2016 and an increase of 5.3% from Q3 2015.

Trade Confidence Index (Q1 2007=100)



*The index is calculated using the volume of trade documents issued by accredited Chambers of Commerce across the UK. Many types of exports require supporting commercial documentation. Chambers of Commerce issue documentation required for exports outside the EU and as a result have amassed significant data on UK goods exports. The TCI uses data collected from this process to show both an index of documentation and regional comparisons of exporting activity.



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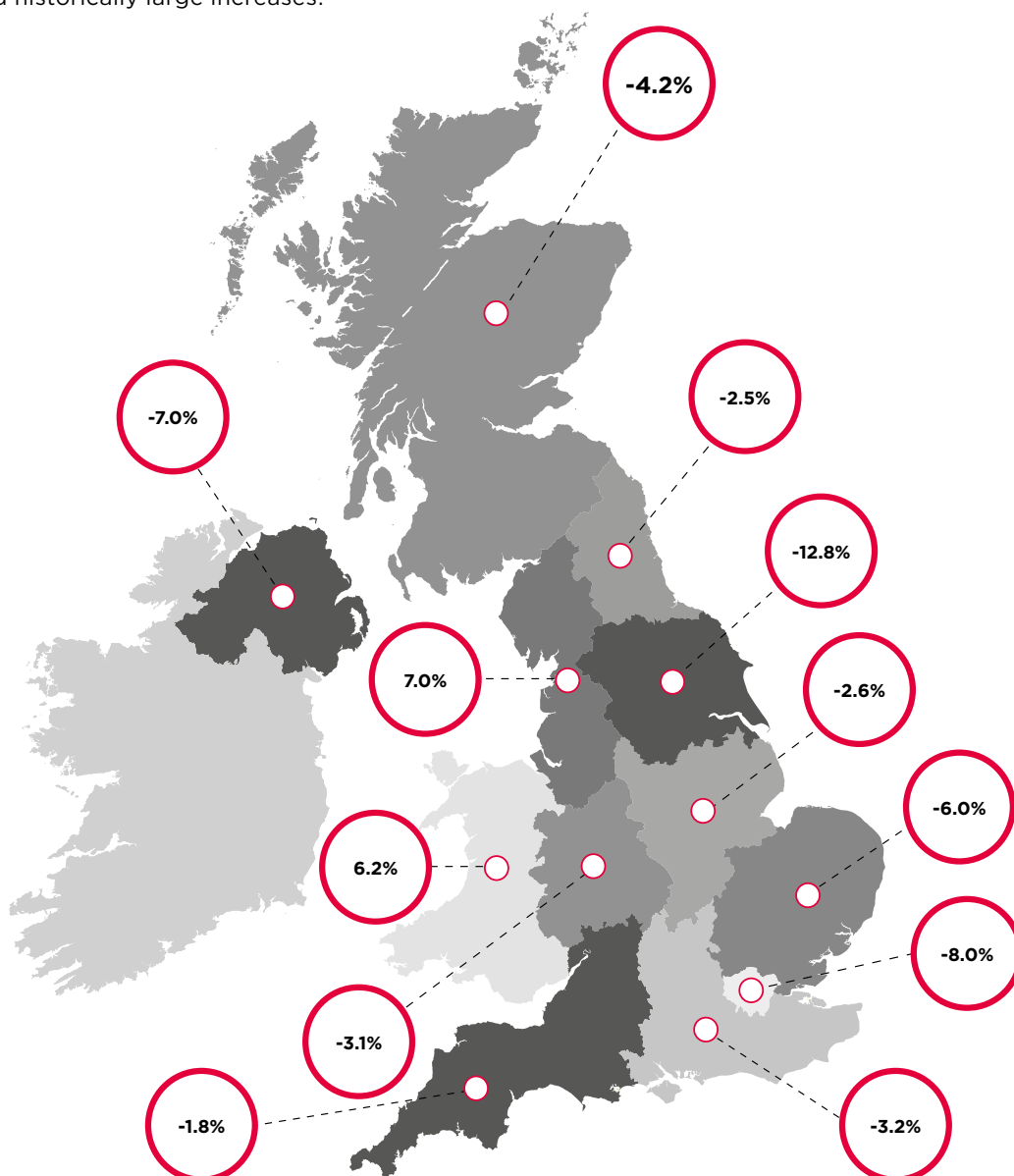
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Trade documentation growth by regions and nations

The Trade Confidence Index, a measure of the volume of trade documentation issued nationally, declined by 4.1% on Q2 2016, but rose by 5.3% on Q3 2015 - the index now stands at 121.69.

The largest quarter-on-quarter increases in export documentation were in the North West (7.0%) and Wales (6.2%). The remaining regions and nations saw a decrease in volume on the previous quarter, with the largest declines recorded in Yorkshire & the Humber (-12.8%), London, (-8.0%), and Northern Ireland (-6.9%). In the previous quarter, Yorkshire & the Humber and London recorded historically large increases.



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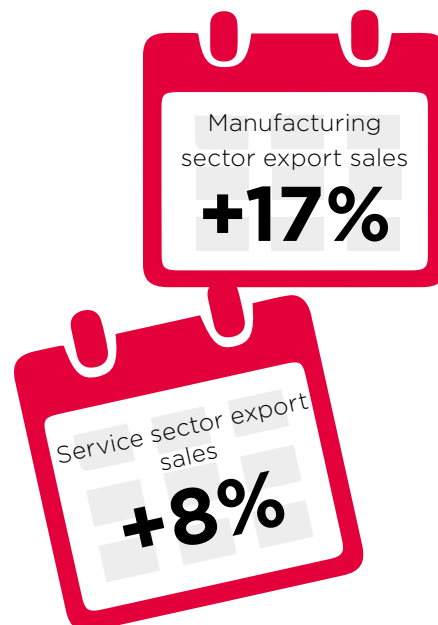
Export sales growth diverges among sectors in third quarter

In the third quarter, the proportion of firms reporting improved export performance saw a sectoral divergence. While the number of manufacturers enjoying an improved export performance rose in the quarter, the balance of service sector firms reporting improvements fell to the lowest level in five years.

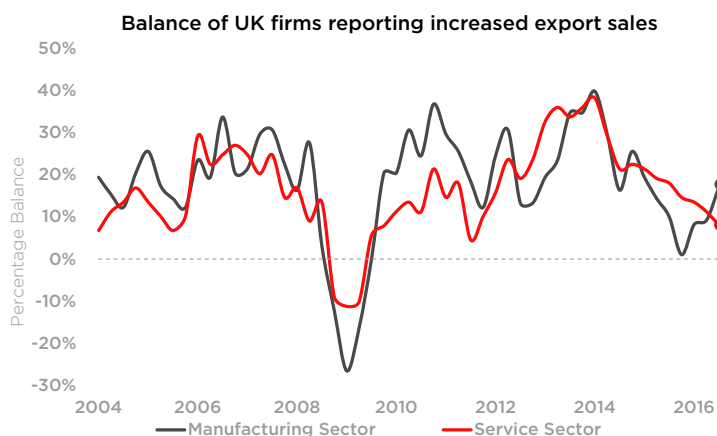
In the manufacturing sector, the balance* of firms reporting improvements in export sales over the previous three months rose to +17% in Q3 2016 from +9% in Q2 2016. This means that 17% more firms reported an increase over a decrease. The balance of manufacturers reporting improved export orders also rose, from +5% in Q2 to +12% in Q3.

However, the services sector saw a slowdown in growth in Q3, with the balance of firms reporting improvements falling to +8% from +11% in the previous quarter. For advance export orders, the balance fell for firms in the services sector, to +5% from +13%

*Balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.



Firms in the South East and West Mids see strongest export growth



The adjacent graph shows the balance of firms from both the manufacturing and service sectors reporting an increase in export sales against those reporting a decrease since 2004.

Comparing export sales balances for the manufacturing sector across the UK's regions and nations, the strongest Q3 2016 performances were in the South East at +43%, followed by the East of England (+33%), and Wales (+29%). In the service sector, the highest balances were recorded in the West Midlands at +27%, the North West (+20%), and Yorkshire & the Humber (+16%)

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Trade and economic outlook

The Global Economy

The International Monetary Fund (IMF) has downgraded its forecast for global growth for 2016 from 3.2% to 3.1% and for 2017 from 3.5% to 3.4%. The US economy, the world's largest, grew at an annual rate of 1.4% in Q2 2016, up from the growth of 0.8% recorded in Q1. China's economy, the world's second-largest, grew by 6.7% in Q3 2016 in annual terms. The Eurozone economy grew by 0.3% in Q2 2016, lower than the growth of 0.5% recorded in Q1.

The third official estimate of UK economic growth revealed that the UK economy grew by 0.7% in Q2 2016, up from the previous estimate of 0.6%. Q2 GDP growth in annual terms was revised down from 2.2% to 2.1%. The service sector and consumer spending remain the main drivers of UK economic growth.



World trade
growth

1.7%

WTO 2016 forecast

International Trade

The World Trade Organisation (WTO) is currently expecting world trade growth in 2016 of 1.7%, below their previous forecast of 2.8%. The WTO currently expect world trade growth of between 1.8% and 3.1% in 2017, down from their previous forecast 3.6%.

The UK trade deficit widened from £10 billion in Q1 2016 to £12.7 billion in Q2 2016. The widening deficit reflected a £1.8 billion widening of the trade in goods deficit and a £0.9 billion narrowing of the trade in services surplus.

IMF 2016 Global
Growth Forecast

3.1%

UK trade deficit
£12.7bn



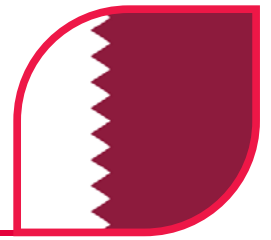
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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: QATAR



Why Qatar?

+974

Arabic

7 municipalities

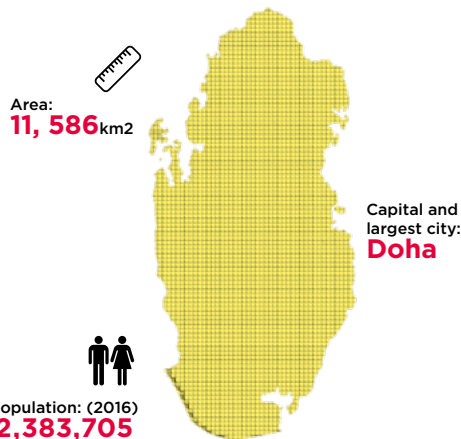
Riyal (QAR)

To export a standard container
into Qatar it takes

7 documents

7 days

cost £1,033



Qatar has the world's highest GDP per capita and is expecting economic growth to hit almost 4% in 2016, despite low oil prices. Qatar's large-scale infrastructure investment makes the long term prospects for UK businesses highly attractive.

UK businesses remain a partner of choice across all sectors. It could not be a better time to explore opportunities in Qatar.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	4.2	3.7	3.7
Export of goods and services	-5.0	-39.0	4.7
Import of goods and services	-1.0	-8.5	8.2
Inflation	3.3	1.7	3.5
Exchange rate (per \$)	3.6	3.6	3.6
Population	4.6	4.4	1.9

Source: Oxford Economics

Opportunities for UK businesses

Many opportunities exist in the infrastructure sector, particularly as Qatar undertakes many major projects such as seven new stadia for the World Cup and a vast array of ancillary construction. Transport projects such as the Doha metro and national rail network also present opportunities.

Strengths of the Qatar market include

- Stable marketplace with good long term prospects
- English widely spoken and understood – UK systems and standards often apply
- Familiarity with UK brands

Cultural tips

- Establish a presence in Qatar, as face-to-face contact is preferred
- There can often be delays in payment
- Bureaucracy can often be frustrating and challenging.

Essential Customs tips



De minimis: No de minimis value – duties and taxes must be paid on all items shipped to Qatar



All business to consumer shipments must have the receiver ID number on the waybill for clearance upon arrival. All food products require approval from Qatar Ministry of Health and the date of manufacture and expiry must be on the packaging and on each item.

All shipments must have the Made in Country name on each item – either engraved or on a label, otherwise a penalty will be applied.



Qatar

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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: **SAUDI ARABIA**



Why Saudi Arabia?

+966

Arabic

13 provinces

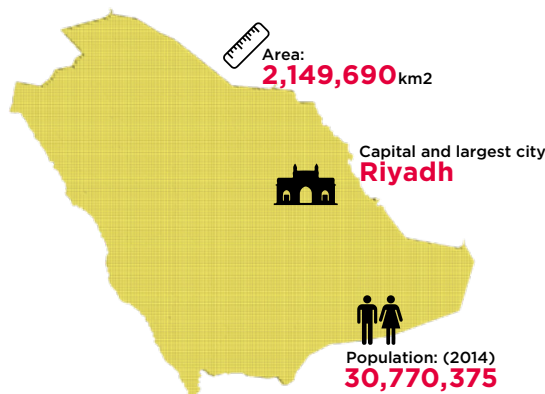
Riyal (SR)

To export a standard container
into Saudi Arabia it takes

5 documents

17 days

cost **£697**



Saudi Arabia, which spans a geographical area roughly the same size as Western Europe, is strategically located in the heart of the Middle East. With a GDP of \$750bn and a population of 30 million, it is the largest economy in the region.

Following the recent launch of Vision 2030 and the National Transformation Programme, there is renewed momentum for business and trade between the UK and Saudi Arabia as the country builds new knowledge driven industries.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	3.6	3.5	2.0
Export of goods and services	-1.8	-0.3	5.6
Import of goods and services	6.6	-2.8	3.7
Inflation	2.7	2.2	3.5
Exchange rate (per \$)	3.75	3.75	3.75
Population	2.3	2.2	1.7

Source: Oxford Economics

Opportunities for UK businesses

Key sectors include transport, infrastructure, health, education, tech and retail. Saudi Arabia is more open to private sector participation and has a great interest in UK experience of PPP, facilities management and SME development.

Strengths of the Saudi market include

- 50% of the population are under the age of 24. This large young population is tech savvy and interconnected
- Close historical relations with the UK and plenty of scope for expertise transfer

Cultural tips

- Face-to-face business is essential. Be prepared to visit frequently.
- Saudi society is influenced heavily by the tenets of Islam.
- There are severe limitations on public interaction between men and women

Essential Customs tips

De minimis: Dhahran values up to \$200. Riyadh values up to \$500.

Both prescription and non-prescription drugs require approval from the Ministry of Health. This must be obtained in advance by the receiver, who is required to present a copy of the invoice to the Ministry of Health. Colognes and perfumes also require Ministry of Health approval.

Alcoholic drinks are prohibited unless the receiver has an import permit.



Saudi Arabia

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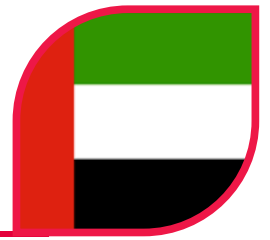


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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: **THE UAE**



Why the United Arab Emirates (UAE)?

+971

Arabic

7 emirates

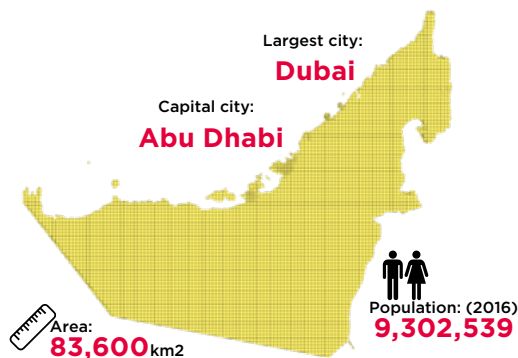
Dirham (AED)

To export a standard container
into the UAE it takes

5 documents

7 days

cost **£366**



The UAE is the commercial fulcrum of the wider MENA region. Despite a small population of around 9.3 million, it punches above its weight economically and is the UK's 11th biggest global export market, and 4th largest outside the EU.

As well as housing the regional HQs of many of the world's biggest companies, the UAE also has an emerging and thriving SME hub.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	3.1	3.8	3.0
Export of goods and services	0.2	3.4	5.3
Import of goods and services	12.3	-1.2	4.1
Inflation	2.3	4.1	3.2
Exchange rate (per \$)	3.7	3.7	3.7
Population	1.9	1.8	1.4

Source: Oxford Economics

Opportunities for UK businesses

The UAE offers many opportunities for British businesses in sectors such as healthcare, food & drink, retail, tech, infrastructure, tech & smart cities, education, and the Expo 2020, hosted in Dubai.



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Strengths of the UAE market include

- Healthy and robust economy
- Excellent infrastructure, geography and business connectivity (ports & planes)
- Ideal base country to launch regional export journey

Cultural tips

- Despite the modernity you see, it is still a traditional Arabic trading economy.
- Business is done face-to-face and is built on long term personal relationships.
- Arabic is the official language, although the use of English is widespread. Produce presentation materials in both languages.

Essential Customs tips



De minimis: No de minimis



Shipments valued above US\$ 270 will be subject to a 5% duty and clearance delays will apply. If you are importing mobile phones and their accessories to private individuals, quantities are limited to 5. Companies receiving mobile phones and their accessories must have a valid importer registration with UAE customs. Shipments going to a Free Zone address in Dubai must be accompanied by the original invoice.



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INTERNATIONAL TRADE UPDATE: THE BCC GLOBAL BUSINESS NETWORK

It has been an exciting few years for the British Chambers of Commerce in international trade – during which we have been working to launch a dynamic new programme to help British businesses trade internationally.

The **BCC Global Business Network** encompasses the vast group of British Chambers of Commerce that we engage with worldwide.

At the British Chambers of Commerce, our aim has always been to champion private-sector led support for businesses. The name **BCC Global Business Network** conveys the exceptional connections that British Chambers of Commerce can provide, by giving members access to an agile, responsive and supportive business network on a global scale.

HOW THE BRITISH CHAMBERS OF COMMERCE CAN HELP

If you are a business, what can Chambers of Commerce do for you? If you become a member of your local Chamber you will have access to documentation and trade expertise, useful discounts as well as a programme of events, focusing on topics such as exporting and trading into the UK.

At one of these events, you may discover that Chile, Slovakia or perhaps Singapore is a market where your goods and services are in high demand. But what do you do next when there is a myriad of regulations, formalities and cultural differences to navigate?

A TRULY GLOBAL NETWORK

This is where the **BCC Global Business Network** has the most potential to help businesses. The British Chambers of Commerce works not only with 52 Accredited Chambers in the UK – but also works with 40 Chambers worldwide, 29 of which have either been accredited or assessed by the BCC.

The BCC Accreditation acts as a mark of reassurance that the organisation has met a rigorous and continuously updated quality standard – and can therefore be relied upon to support businesses.

BUSINESS-TO-BUSINESS SUPPORT

In fact, British Chambers of Commerce in the UK and overseas are not so dissimilar in the way that they are run, the range of member companies in their organisation and even their history. Many Chambers both in the UK and overseas have been in existence for decades, with their members including not only some of the biggest names in business locally – but also some of the most recognised companies worldwide.

This means that **BCC Global Business Network** is uniquely placed to offer private-sector support to businesses – in an agile, commercially-minded and collaborative way. What the network provides to businesses is immediate support at the other end of the world – just one phone call or email away.



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We work with 52 Accredited Chambers in the UK, 29 accredited or BCC-assessed Chambers of Commerce globally.

DISCOVERING OPPORTUNITIES

Whether it's navigating the legal challenges in each particular market, finding a local partner or getting frank advice on how to best position your product in a country for the first time – these are all aspects that Chambers of Commerce have the relevant expertise to assist with, quickly and reliably.

It is through trade events as well as locally organised roadshows and seminars throughout the year that British Chambers of Commerce introduce UK businesses to the many different opportunities, and to the support available to them, thanks to their membership.

TWO-WAY TRADING LINKS

From helping first-time exporters to more experienced companies, the BCC Global Business Network encourages connections between different players who can help each other do business.

With trade flowing in both directions, the BCC is also working to raise awareness of the various options available for companies trading into the UK.

We believe that the starting point for any trade activity lies in identifying opportunities – and through our events and channels, we actively showcase different countries, regions and sectors that can serve as a catalyst for new business ideas and links.

At this year's Global Business Network Live event, we wanted to provide truly practical and insightful information for exporters – and will continue doing the same via our events, online channels and continued promotion of the BCC Global Business Network throughout the next year.

For British Chambers of Commerce, collaboration is not just a catchword – it is the basis of how we work, from a local to an international scale.



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About the British Chambers of Commerce

The British Chambers of Commerce (BCC) is a dynamic and independent business network with accredited Chambers in every nation and region of the UK, and in key markets around the world.

Accredited Chambers are at the heart of local business communities, helping thousands of companies - of every size and sector - to grow and thrive. Together with our fast-growing global network, Chambers provide practical advice and support to British companies trading around the world.

Chambers help businesses connect, belong, and succeed. For over 150 years, our business has been helping UK business grow.

For more information about this report, contact:

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About DHL Express

DHL Express is the global market leader in the international express business, specialising in time and day critical shipments to all corners of the world. The DHL Express network is composed of more than 220 countries and territories and has a global workforce of approximately 100,000 Certified International Specialists.

DHL Express UK works closely with the SME market to help businesses grow internationally through export. DHL provides advice to businesses that are new to international trade and continues to support businesses throughout their export journey.

For further information, visit: www.dhl.co.uk

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